

[This is an English translation prepared for the convenience of non-resident shareholders. Should there be any inconsistency between the translation and the official Japanese text, the latter shall prevail.]

Business Report

To Our Shareholders Volume 31

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<Photo>

Cigarettes retailer in Italy

<Photo>

CSR activities of JTI

<Photo>

Example of product advertising

<JT logo>

A Message from Management

In the first half of the fiscal year ending March 2011, adjusted net sales excluding tax and profits grew in the Japanese Domestic Tobacco Business due to a sales volume increase caused by heightened demand ahead of the excise-led price increase in October. In the International Tobacco Business, core net sales excluding tax and EBITDA increased because of pricing and favorable currency exchange movements.

In the Japanese Domestic Tobacco Business, sales volume increased due to heightened demand ahead of the October excise-led price increase. However, we will experience sales volume decline due to excise tax hike after October. We will enhance our brand equity, by steadily implementing measures to develop products which offer good value for the price. We will also strive to create superior sales outlets, while carefully watching the sales trend following the October price increase. In the International Tobacco Business, there were industry contractions in a number of countries caused by large tax hikes and high unemployment rates. However, signs of recovery could be seen for some markets as industry contraction moderated for the July-September period. In addition, our market share continued to grow in most key markets such as U.K., Italy, France, Russia and Turkey. In the Pharmaceutical Business, JTT-851, a drug to treat type 2 diabetes, entered the clinical development stage, and the number of drugs under clinical development totaled 10. As for the Food Business, sales for the beverage business grew due to the summer heat waves. In addition, we are launching new series of Roots brand canned coffee which is celebrating the 10th anniversary this autumn. We will strive to increase our market share, thereby further strengthening the Roots brand.

For the second half, we will continue to monitor market development; we will actively invest in our brands and implement the necessary measures in order to achieve our business targets.

November 2010

Hiroshi Kimura, President & CEO

Report on the Consolidated Financial Results for the First Six Months of the Fiscal Year Ending March 31, 2011 (FY2010)

- Overview of the Consolidated Financial Results for the First Six Months of the Fiscal Year Ending March 31, 2011 (FY2010)

In the first half of the fiscal year ending March 2011, adjusted net sales excluding tax increased 4.9 % from the same period of the previous fiscal year to ¥1,035.2 billion and EBITDA (operating income + depreciation and amortization) increased 9.7% to ¥306.4 billion due to sales volume increase caused by heightened demand ahead of the excise-led price increase in October in the Japanese Domestic Tobacco Business and pricing and favorable currency exchange movements in the International Tobacco Business. Ordinary income increased 37.8% to ¥186.1 billion due to an increase in operating income and lower interest payments.

Net income increased 24% to ¥81.9 billion as the ordinary income increase was partially offset by the payment of a fine to the Canadian government and a decline in gain on sales of noncurrent assets.

<Figure 1>

(Table 1) Consolidated financial results for the first six months of the fiscal year ending March 31, 2011
(FY2010)

(Billions of yen)

	Six months ended September 30, 2009 (results)	Six months ended September 30, 2010 (results)	Change
Net sales including tobacco excise taxes	3,054.2	3,298.7	8.0%
Adjusted net sales excluding tobacco excise taxes *1	986.7	1,035.2	4.9%
EBITDA *2	279.3	306.4	9.7%
Operating income	163.7	198.8	21.5%
Ordinary income	135.1	186.1	37.8%
Net income	66.0	81.9	24.0%

*1. Adjusted net sales excluding tobacco excise taxes does not account for imported tobacco, domestic duty free, business in China and others in the Japanese Domestic Tobacco Business, in addition to the distribution business, leaf tobacco sales, contract manufacturing and other peripheral businesses in the International Tobacco Business.

*2. EBITDA = Operating income + depreciation and amortization (Indicates a profit on a cash flow basis.)

Reference: Figures for major profit items before goodwill amortization

(Billions of yen)

Operating income	213.3	246.0	15.3%
Ordinary income	184.7	233.3	26.3%
Net income	115.6	129.1	11.6%

In the Japanese Domestic Tobacco Business, sales volume increased due to heightened demand ahead of the excise-led price increase in October. As a result, market share of JT products remained flat compared with April-September period in 2009. The total share of key JT brands rose 0.6% points to 45.7% compared with FY2009.

We will continue our efforts to enhance our brand equity, by steadily implementing measures to develop products which offer good value for the price, including the introduction of new products, renewal of existing key products, and creation of points of sales to offer greater convenience to customers.

For example, in November, Mild Seven families, one of our key brands, will be launching four “Mild Seven” menthol products in redesigned round-corner packages, in order to respond to the increasing requests from our customers. We will also be launching “Pianissimo Super Slims Menthol One’ from our Pianissimo families as we continue to strive for stronger brand equity.

<Figure 2> Market share of JT products and JT key brands

Market share of JT products

Market share of aggregated JT key brands

<Figure 3> Japanese Domestic Tobacco Business results

*1. Actual results excluding results from imported tobacco, domestic duty free markets, business in China and others of the Japanese Domestic Tobacco Business.

<Figure 4> JT sales volume

*2. Excluding imported tobacco, domestic duty free and business in China

International Tobacco Business

Total shipment volume in the January-June period declined 5.2% from the same period of the previous fiscal year and GFB shipment volume declined 2.5% respectively in the January-June period, due to industry contractions in Russia etc. caused by large tax hikes and high unemployment rates, despite 'Winston' grew in France and 'Camel' grew in Turkey and France. On the other hands, our market share continued to grow in most key markets.

Dollar-based core net sales excluding tax increased 9.2% and EBITDA increased 11.9% as pricing and favorable currency exchange movements offset the shipment volume decline and increased raw materials costs. Yen-based EBITDA increased 6.9% despite the strong yen.

<Figure 5> Market share in major markets

* Data sourced from AC Nielsen, Core EPOS and JTI data. 12 months moving average market share.

<Figure 6> International Tobacco Business results

*1. Excluding distribution business, leaf tobacco sales and contract manufacturing

*2. Prior to royalty payments to JT

<Figure 7> Sales volume of the International Tobacco Business

*3. Excluding private label and contract manufacturing, and including cigars, pipes and snus (chewing tobacco)

Pharmaceutical Business

In the Pharmaceutical Business, net sales increased from the same period of the previous fiscal year due to growth in sales of the REMITCH CAPSULE, an oral drug to treat pruritus, and anti-HIV drug Truvada, both of which are sold by Torii Pharmaceutical. However, EBITDA remained flat as a result of a cost rise.

Regarding drugs under clinical development, the development of JTT-654 was halted. However, as JTT-851, a drug to treat type 2 diabetes, entered the clinical development stage, the number of drugs under clinical development totaled 10. We will continue our efforts to steadily move drugs under development to more advanced stages and enhance our R&D pipelines.

Pharmaceutical Business: Clinical development (as of October 28, 2010)

Code	Stage	Key indication	Characteristics	Rights
JTT-705 (oral)	Phase 2 (Japan)	Dyslipidemia	Decreases LDL and increases HDL by inhibition of CETP - CETP: Cholesteryl Ester Transfer Protein, facilitates transfer of cholesteryl ester from HDL to LDL - HDL: High-density lipoprotein ("good cholesterol") - LDL: Low-density lipoprotein ("bad cholesterol")	Roche (Switzerland) obtained the rights to develop and commercialize the compound worldwide from JT, with the exception of Japan. * Development stage by Roche: Phase 3
JTT-130 (oral)	Phase 2 (Japan) Phase 2 (Overseas)	Dyslipidemia	Treatment of dyslipidemia by reducing absorption of cholesterol and triglycerides via inhibition of MTP - MTP: Microsomal Triglyceride Transfer Protein	
JTK-303 (oral)	Phase 1 (Japan)	HIV infection	Integrase inhibitor which works by blocking integrase, an enzyme that is involved in the replication of HIV - HIV: Human Immunodeficiency Virus	Gilead Sciences (U.S.) obtained the rights to develop and commercialize this compound worldwide from JT, with the exception of Japan. * Development stage by Gilead Sciences: Phase 3
JTT-302 (oral)	Phase 2 (Overseas)	Dyslipidemia	Decreases LDL and increases HDL by inhibition of CETP - CETP: Cholesteryl Ester Transfer Protein, facilitates transfer of cholesteryl ester from HDL to LDL - HDL: High-density lipoprotein ("good cholesterol") - LDL: Low-density lipoprotein ("bad cholesterol")	
JTT-305 (oral)	Phase 2 (Japan)	Osteoporosis	Increases BMD and decreases new vertebral fractures by accelerating endogenous PTH secretion via antagonism of circulating Ca on CaSR in parathyroid cells - BMD: Bone Mineral Density - PTH: Parathyroid Hormone - CaSR: Calcium-Sensing Receptor	Merck (U.S.) obtained the rights to develop and commercialize this compound worldwide from JT, with the exception of Japan.

Code	Stage	Key indication	Characteristics	Rights
JTS-653 (oral)	Phase 2 (Japan)	Pain Overactive bladder	Improves pain and overactive bladder via antagonism of TRPV1 on sensory neurons - TRPV1: Transient Receptor Potential Vanilloid subtype 1	
JTK-656 (oral)	Phase 1 (Overseas)	HIV infection	Integrase inhibitor which works by blocking integrase, an enzyme that is involved in the replication of HIV - HIV: Human Immunodeficiency Virus	
JTT-751 (oral)	Phase 2 (Japan)	Hyperphosphatemia	Decreases serum phosphorous level by binding phosphate derived from dietary in the gastrointestinal tract	JT obtained the rights to develop and commercialize this compound in Japan from Keryx Biopharmaceuticals (U.S.) (Developed jointly with Torii Pharmaceutical)
JTK-853 (oral)	Phase 1 (Overseas)	Hepatitis C	Treatment of Hepatitis C by inhibiting HCV RNA- polymerase which relates to viral proliferation	
JTT-851 (oral)	Phase 1 (Japan)	Type 2 diabetes	Promotes glucose-dependent insulin secretion and corrects high blood sugar	

* The beginning of a development stage is based on when the administration of the drug commences.

Changes since the previous announcement on July 29, 2010: JTT-851 entered the clinical development stage in Japan and the development of JTT-654 was halted.

In July 2010, MedImmune, LLC (U.S.), currently a subsidiary of AstraZeneca PLC, announced that the anti-ICOS antibody, for which they obtained from JT the worldwide rights excluding Japan to develop and commercialize on December 28, 2006, has entered the Phase 1 clinical development stage.

Food Business

As for the Food Business, sales for the beverage business grew compared with the same period of the previous fiscal year due to the summer heat waves.

However, net sales for the Food Business declined mainly due to lower sales of products to restaurants, the closure of rice wholesale business and the exclusion of some subsidiaries from the consolidated results.

EBITDA increased as the solid performance of the beverage business more than offset lower profits in the processed food business.

● Earnings Forecasts for FY 03/2011

Regarding our financial forecasts for the fiscal year ending March 2011, the forecast for the consolidated adjusted net sales excluding tax was revised down due to the negative currency impact of the revised foreign exchange rate assumption, reduced sales volume forecast for the Japanese Domestic Tobacco Business and slack sale of products for restaurants in the Food Business, among others. The forecast for consolidated EBITDA was also revised down, primarily due to negative impact of the revised foreign exchange rate assumption. However, we are maintaining our original EBITDA forecast for the Japanese Domestic Tobacco Business. We are also maintaining the original dollar-based EBITDA forecast at constant rate of exchange at 6.2%. In the Pharmaceutical Business, net sales forecast was revised upward due to the strong performance of the REMITCH CAPSULE and Truvada, both of which are sold by Torii Pharmaceutical. The forecast for EBITDA was also revised upward due to revision of sales expenses and general administration expenses. In the Food Business, we revised down the forecasts for both of net sales and EBITDA.

(Table 2) Earnings forecasts for FY 03/2011 (FY2010)

				(Billions of yen)
	Initial projections for fiscal year ending March 31, 2011	Projections at end of first half for fiscal year ending March 31, 2011	Change	Fiscal year ended March 2010 (results)
Net sales including tobacco excise taxes	5,980.0	5,910.0	-70.0	6,134.6
Net sales excluding tobacco excise taxes ^{*1}	1,973.0	1,905.0	-68.0	1,980.9
EBITDA ^{*2}	513.0	495.0	-18.0	526.7
Operating income	295.0	281.0	-14.0	296.5
Ordinary income	276.0	261.0	-15.0	255.3
Net income	133.0	115.0	-18.0	138.4

*1. Net sales excluding tobacco excise taxes does not account for imported tobacco, domestic duty free, business in China and others in the Japanese Domestic Tobacco Business, in addition to the distribution business, leaf tobacco sales, contract manufacturing and other peripheral businesses in the International Tobacco Business.

*2. EBITDA = Operating income + depreciation and amortization (Indicates a profit on a cash flow basis.)

Reference: Net income before goodwill amortization (projection)

(Billions of yen)

Net income	226.0	205.0	-21.0	235.8
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● Caution Concerning Forward-Looking Statements

This material contains forward-looking statements about our industry, business, plans and objectives, financial condition and results of operations that are based on our current expectations, assumptions, estimates and projections. These statements reflect future expectations, identify strategies, discuss market trends, contain projections of results of operations or of our financial condition, or state other forward-looking information. These forward-looking statements are subject to various known and unknown risks, uncertainties and other factors that could cause our actual results to differ materially from those suggested by any forward-looking statement. We assume no duty or obligation to update any forward-looking statement or to advise of any change in the assumptions and factors on which they are based. Risks, uncertainties or other factors that could cause actual results to differ materially from those expressed in any forward-looking statement include, without limitation:

- (1) an increase in health concerns related to the use of tobacco products;
- (2) legal or regulatory developments and changes, including, without limitation, tax increases and governmental restrictions on the sales, marketing and usage of tobacco products, and privately imposed smoking restrictions and governmental investigations in Japan and elsewhere;
- (3) litigation in Japan and elsewhere;
- (4) our ability to further diversify our business beyond the tobacco industry;
- (5) our ability to successfully expand internationally and make investments outside Japan;
- (6) competition and changing consumer preferences; and
- (7) the impact of any acquisitions or similar transactions of businesses.

Consolidated Financial Statements

Consolidated balance sheets

(Millions of yen)

	As of March 31, 2010	As of September 30, 2010	Increase (Decrease)
Assets			
Current assets	1,195,843	1,311,899	116,056 *1
Noncurrent assets	2,676,752	2,500,272	(176,480)
Property, plant and equipment	679,561	660,352	(19,209)
Intangible assets	1,769,064	1,625,538	(143,525) *2
Goodwill	1,387,397	1,288,703	(98,693)
Right of trademark	350,900	309,600	(41,299)
Other	30,766	27,234	(3,532)
Investments and other assets	228,127	214,381	(13,745)
Total assets	3,872,595	3,812,171	(60,424)
Liabilities			
Current liabilities	1,101,535	1,252,815	151,279 *3
Noncurrent liabilities	1,047,782	862,679	(185,102) *4
Total liabilities	2,149,317	2,115,495	(33,822)
Net assets			
Shareholders' equity	2,072,501	2,125,841	53,340
Valuation and translation adjustments	(423,387)	(505,640)	(82,253) *5
Subscription rights to shares	564	617	52
Minority interests	73,599	75,857	2,258
Total net assets	1,723,278	1,696,676	(26,601)
Total liabilities and net assets	3,872,595	3,812,171	(60,424)

Note: Millions of yen with fractional amounts discarded.

*1. Due to the impact of an increase in sales and accounts receivable–trade, accompanying the increased sales volume in the Japanese Domestic Tobacco Business that resulted from the pre-excise-tax-hike rush in demand.

*2. Due to amortization and effects of foreign exchange rate fluctuation.

*3. Due to an increase in tobacco excise taxes payable accompanying the increased sales volume in the Japanese Domestic Tobacco Business that resulted from the pre-excise-tax-hike rush in demand, despite redemption of commercial papers etc.

*4. Due to redemption of bonds, etc.

*5. The negative figure of foreign currency translation adjustment grew due to the effects of the strong yen.

Consolidated statements of income

(Millions of yen)

	Six months ended September 30, 2009	Six months ended September 30, 2010	Increase (Decrease)
Net sales	3,054,254	3,298,734	244,479 *1
Cost of sales	2,494,239	2,707,102	212,863
Gross profit	560,015	591,631	31,616
Selling, general and administrative expenses	396,287	392,747	(3,540)
Operating income	163,727	198,884	35,156
Non-operating income	7,722	5,606	(2,116)
Non-operating expenses	36,317	18,299	(18,017)
Ordinary income	135,133	186,191	51,058 *2
Extraordinary income	14,457	3,698	(10,759)
Extraordinary loss	12,158	29,192	17,034
Income before income taxes and minority interests	137,432	160,697	23,265
Income taxes	68,147	75,360	7,212
Income before minority interests	–	85,337	85,337
Minority interests in income	3,216	3,382	166
Net income	66,068	81,954	15,886

Note: Millions of yen with fractional amounts discarded.

- *1. Net sales increased due to the increase in sales volume that resulted from the pre-excise-tax-hike rush in demand in the Japanese Domestic Tobacco Business and due to the impact from higher unit pricing in the International Tobacco Business.
- *2. Due to increased profit from improvement in foreign exchange loss and a decrease in interest expenses.

Consolidated statements of cash flows

(Millions of yen)

	Six months ended September 30, 2009	Six months ended September 30, 2010	Increase (Decrease)
Net cash provided by (used in) operating activities	105,179	341,728	236,548 *1
Net cash provided by (used in) investing activities	(39,578)	(70,628)	(31,049)
Net cash provided by (used in) financing activities	(93,914)	(215,211)	(121,297) *2
Effect of exchange rate change on cash and cash equivalents	10,015	(7,616)	(17,632)
Net increase (decrease) in cash and cash equivalents	(18,298)	48,270	66,568
Cash and cash equivalents at beginning of period	167,257	154,368	(12,888)
Cash and cash equivalents of newly consolidated subsidiaries at beginning of period	–	194	194
Cash and cash equivalents at end of period	148,959	202,834	53,874

Note: Millions of yen with fractional amounts discarded.

*1. Due to the increase in sales volume that resulted from the pre-excise-tax-hike rush in demand in the Japanese Domestic Tobacco Business, etc.

*2. Due to the redemption of commercial papers, etc.

Italy

A market providing continued success

<Flag> Basic knowledge about Italy<Map>

Population: 59.90 million (as of 2009)

GDP: 1.5722 trillion euro

Smoking rate: 23.0% (Male: 29.5% Female: 17.0%) (as of 2009)

Exchange rate: 1 euro = ¥114 (as of September 30, 2010)

Sales volume

- Sales volume remains robust as a result of the aggressive introduction of new products and stronger marketing measures.
- Steady growth continuing since 2006 at annual average of 11.6%.

Market share

- No. 3 domestic market share (19.0%) in Italy (as of June 2010)
- Market share is still growing thanks to strong performance from Camel and Winston.

Sales volume Note: 100 set as FY2006

Market share

<Graph>

Annual average of 11.6% growth

Major brands

Camel

First released as an American brand in 1913, Camel is currently sold in over 100 countries worldwide and ranks 6th globally.

Winston

Launched in 1954, Winston has ranked 2nd globally since 2007.

As a leaf tobacco growing region

About 40% of the European Union's leaf tobacco production is in Italy, a renowned leaf tobacco growing

region. Even on a global scale, the country is a significant producer. It ranks 10th globally in production volume and produces about 100,000 tons based on 2008 figures.

World ranking in leaf tobacco production volume (2008)

(Thousands of tons)

1	China	2,837
2	Brazil	850
3	India	520
4	U.S.A.	360
5	Iran	180
6	Argentina	170
7	Indonesia	170
8	Malawi	160
9	Pakistan	108
10	Italy	100

Source: Data from the Statistics Bureau, Ministry of Internal Affairs and Communications (Japan)

Marketing measures

In Italy, Camel is very popular and we proactively conduct marketing measures.

Last year, we introduced the new Camel Essential with an elegant and familiar design. This year, we introduced Camel Icon, which attracts customer interest with its stylish design. In addition, we conduct lively marketing such as by releasing limited-edition designs.

We are also conducting proactive one-to-one marketing where we directly explain the product to customers at tobacco retailers.

<photo>

One-to-one marketing

<photos>

“Camel Essential” “Camel Icon”

Akros Pharma Inc. <Logo>

Akros Pharma Inc. is an overseas office of JT's pharmaceutical business. Headquartered in New Jersey (U.S.), it conducts a range of activities centered on clinical development.

Role of Akros Pharma

Akros Pharma Inc. was established in California in January 1999 in response to the growing internationalization of the pharmaceutical industry mainly for the purpose of collecting information relating to the pharmaceutical industry and providing support for finding companies for partners for joint-development alliances in the U.S., one of the leading countries in pharmaceutical development. In 2000, the following year, Akros Pharma relocated to New Jersey and newly began conducting overseas clinical development of compounds developed in-house and jointly developed compounds and providing assistance for searching for partners for patent alliances, and it has continued to serve these roles up until present.

Bringing together diverse strengths

Akros Pharma Inc. conducts clinical trials of candidate compounds for pharmaceutical products that have been studied and developed by JT's Central Pharmaceutical Research Institute (Takatsuki City, Osaka) mainly in the U.S., but also in a number of European countries.

Including people from Japan, the U.S., India, Sweden and China, Akros Pharma's employee composition is very cosmopolitan, and including doctoral scientists and pharmacists, veterinarians, patent attorneys and other highly qualified personnel, it is very skilled (as of October 1, 2010).

Bringing together these diverse strengths, Akros Pharma works dedicatedly every day to the development of innovative and original pharmaceutical products for the world, which is the ultimate mission of JT's pharmaceutical business.

<photo>

Management Team

<photo>

Clinical Team

Company Profile

Name:	Akros Pharma Inc.
Head office:	Princeton, New Jersey, U.S.A.
Established:	January 1999
Paid-in capital:	1,000 US dollars
Representative:	Hisashi Kodama

Employees: 32 (as of October 1, 2010)

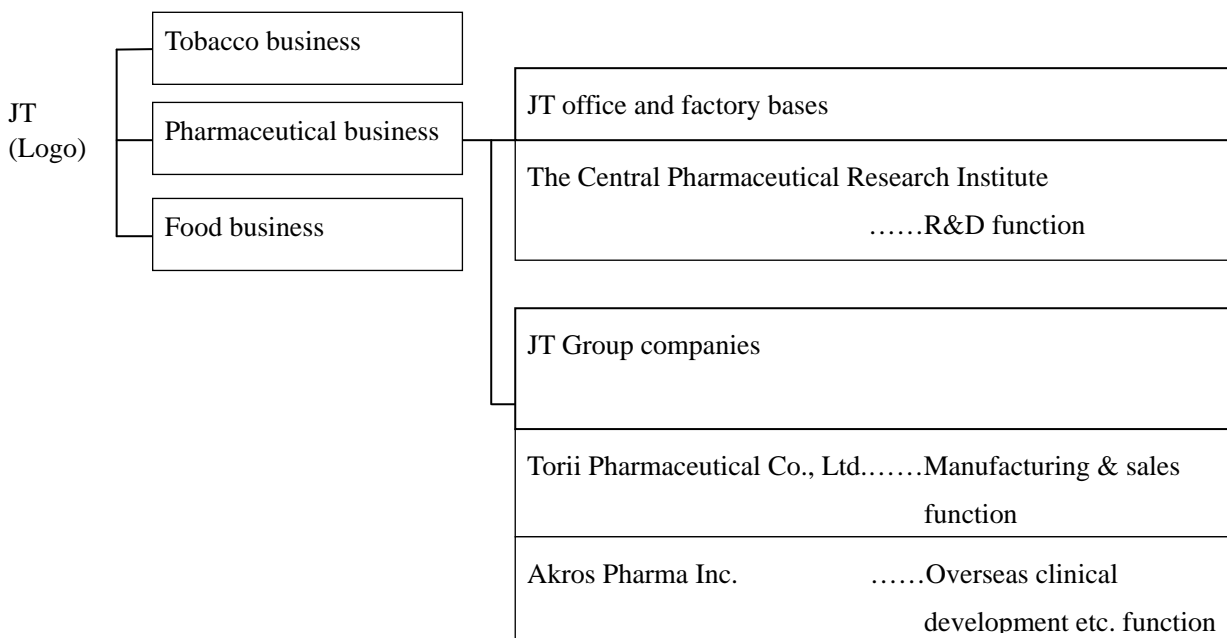
Description of Business

Mainly operation of clinical trials in the U.S. and assistance for finding partners for patent and joint-research alliances

URL

<http://www.akrospharma.com/>

<Chart of Akros Pharma's Position in the JT Group>



The Lure of Tobacco Smoke

A lesson from the past at the end of a journey

Hokkaido Museum of Northern Peoples [Hokkaido]

<Photo>

Glimpsing life of the frozen regions through smoking culture of the northern regions

The Hokkaido Museum of Northern Peoples in Abashiri City, Hokkaido, interprets the history and culture of the indigenous people who live in the northern regions of the northern hemisphere with similar cold snowy climates. One of the many exhibits on show at the museum is a collection of smoking implements used by the people of the northern regions.

The centerpieces of the smoking implements on show at the museum are pipes and tobacco pouches. The shapes of these implements differ according to the land and the people, and the uniquely defining characteristics of the different lands and peoples are clearly shown in the various smoking implements. For example, a pipe used in a land where there is much hunting activity is made from animal horn and bone and a tobacco pouch for storing chewing tobacco is made of highly durable leather.

For people of these northern regions, which are unsuitable for leaf tobacco cultivation, tobacco and smoking implements were treated as important trading items. For this reason, the impact of the smoking culture of the trading partner that introduced tobacco to the region is clearly discernable in the smoking implements of each cultural group.

Tobacco was clearly a source of comfort for people who had to face numerous days in sub-zero temperature. Why not view the diverse range of smoking implements to glimpse the lifestyle and spreading of culture of the northern peoples.

<Photo>

Smoking implements used by people of the northern regions displayed in a “trading” theme exhibit corner

<Photo>

Of the two pipes shown here, the one on the left was used by Inuit people in Alaska and the one on the right was used by Cree people in Canada. They are interestingly similar to the kiseru pipe of Japan.

<Photo>

Tobacco pouch of Koryak people of Russia. Although made simply, it is adorned with beads. Koryak culture is highly regarded for its aesthetic sense.

* Material courtesy of Hokkaido Museum of Northern Peoples

<Photo>

The Museum standing amongst the nature of Abashiri

The Hokkaido Museum of Northern Peoples stands on the mid-slope of Mt. Tendo overlooking the Sea of Okhotsk. It was opened in 1991 as a facility to interpret the culture of the northern peoples, particularly the Ainu peoples and be a leader in this field for other museums in Hokkaido, a place which has had deep ties with the various northern cultures for a long time.

At the summit of Mt. Tendo, the mountain upon which the museum sits, is the Okhotsk Ryu-hyo Museum, a science museum with the theme of drift ice that exhibits the living creatures living in the Sea of Okhotsk and the drift ice itself. Situated alongside is the Mt. Tendo Observatory, which provides vistas of Abashiri's cityscape and the Sea of Okhotsk—during the season that the drift ice hits the shore, you are able to see large blocks of ice floating on the sea.

Throughout the four seasons, at any time of the year in Abashiri surrounded by mountain and sea, it is possible to enjoy the rich nature of the particular season. Strolling in amongst this nature and feeling the tang of the Sea of Okhotsk on your tongue while gaining a glimpse of the smoking culture of the northern peoples should make for some interesting travel.

Hokkaido Museum of Northern Peoples

Location

309-1, Shiomi, Abashiri, Hokkaido 093-0042 Japan

(15 minutes from JR Abashiri Station by Abashiri Bus (Shinai Kanko Shisetsu Meguri Line); Time table changes according to the season.)

Inquiries

+81-152-45-3888

Opening hours

9:30 to 16:30 (9:00 to 17:00 from July to September)

Exhibition dates

Museum open every day from July to September, and during the rest of the year, it is closed on Mondays (unless Monday is a public holiday, in which case it closes the following day), during the New Year holidays, and on certain other days.

Admission fees

Adults: ¥450/ University students and high school students: ¥150/ Elementary and Junior high school students, and people 65 and over: free

<http://hoppohm.org/>

<Map>

* Read the article on JT website's "SMOKERS' STYLE" (Japanese only)

<http://www.jti.co.jp/sstyle/trivia/know/travel/>

Overseas Afforestation and Forest Conservation Projects

JT and Japan Tobacco International have been conducting afforestation and forest conservation projects overseas since January 2007. The aim of these projects is to prevent the loss of forests and to allow regeneration over time. Currently, activities are being conducted in the African countries of Tanzania, Malawi and Zambia, and in the Philippines.

Afforestation and forest conservation projects in Africa

In Africa, timber resources are used for household firewood etc. and trees are continually being cut down, making deforestation an important social issue. Moreover, in Tanzania, Malawi and Zambia, which are leaf tobacco growing regions of Africa, timber resources are used by the industry in leaf tobacco drying facilities and for other purposes; moreover, appropriate measures to promote sustainability in leaf tobacco production is also an important social issue. Considering the regeneration of forests in these countries to be very important, the JT Group started afforestation and forest conservation projects in Malawi and Tanzania in January 2007, and then in Zambia in August this year. In these afforestation and forest conservation projects, the JT Group does more than plant trees; we promote the spread of kitchen stoves that contribute to a lower consumption of firewood, improve agricultural revenues by providing irrigation, secure safe drinking water by installing treadle pumps and work to improve public sanitation. Through such efforts, sickness levels are falling, stable food volumes are being produced and income is improving. Accordingly, these projects play a role in improving the living environment of the local communities. To conduct these projects, the JT Group commissions the Washington State University (Pullman, Washington, U.S.), which has a long-standing record of achievements in various countries worldwide in overseas aid projects related to agriculture, and the projects are conducted by NGO Total Landcare, which is affiliated with the university.

<map>

Republic of Zambia

United Republic of Tanzania

Republic of Malawi

<photo>

Installed treadle pump

<photo>

Planted saplings

Afforestation and forest conservation projects in the Philippines

In the Philippines, timber resources are mainly used for ply board and construction materials etc. However, not only does logging operations deplete the forests, it also seriously amplifies the effects of weather such as tropical cyclone induced flooding and there is a need for the sustainable management of forests. In addition, on Luzon Island, which is a leaf tobacco producing region, timber resources are used for drying leaf tobacco and there are concerns regarding the impact on sustainable leaf tobacco production. The JT Group therefore considers that the sustainable management of forests is both essential and important and in April this year, we started afforestation and forest conservation projects on Luzon Island mainly centered on afforestation. The JT Group commissions the Washington State University, our cooperating partner for the JT Group’s projects in Africa which has a strong track record in countries worldwide, and the NGO Tanim Kalikasan, Inc., which was established by the initiative of the university, conducts the projects.

<map>

Luzon Island

Overview of main projects

	Period	Project
Tanzania	4 years from January 2007 to December 2010	Plan to plant 8 million trees over 4,000 ha.
Malawi	4 years from January 2007 to December 2010	Plan to plant 8 million trees over 4,000 ha.
Zambia	4 years from August 2010 to July 2014	Plan to plant 8 million trees over 4,000 ha.
The Philippines	3 years from April 2010 to March 2013	Plan to plant 2.5 million trees over 1,500 ha.

“Roots” Brand Turns 10

This year marks the 10th anniversary of the launch of our “Roots” brand of canned coffee that pursues the taste and aroma of freshly brewed coffee. Much research and development has been devoted to this pursuit and we have earned a strong customer following for our efforts up until now. We have released a new series from Roots called “Aroma Impact”! As the name suggests, we aim to give customers the “impact of aroma” with a “new shape and new aroma.”

<Logo “Roots 10th Anniversary”>

Formation of “Chorus Japan”!

To celebrate the Roots 10th anniversary, we have formed “Chorus Japan,” a special all-star unit consisting of six of Japan’s top artists. In the TV commercial that is currently being broadcast, Chorus Japan sings an original song called “Ne no Uta” that cheers on hard-working people.

All-star cast (in Japanese alphabetical order)

Anri	Sayuri	Masayuki	Yoshikuni	Akira Fuse	Aya Matsuura
	Ishikawa	Suzuki	Dochin		

<photo>

TV commercial song “Ne no Uta”

“Roots Aroma Impact” Series Launched!

Three products were launched on October 4 as part of the new Roots series “Aroma Impact.” Using new technology and new production methods different from anything up until now, JT has achieved a quality of aroma that surpasses anything that has been released up until now.

Please see page 30 for a product overview of “Roots Aroma Impact.”

<photos>

Three main points of “Roots Aroma Impact”

- New container “tumbler can”

New shape of Roots—creating and communicating fine taste

- Pasteurization manufacturing process “New HTST processing”

Advancements in HTST processing allow a taste that approaches the freshly brewed taste

- New roasting method “Impact Roast”

Rich aroma that creates an impact

New brand logo

The “Roots Aroma Impact” brand logo is a new “Roots” series where the word “Aroma Impact” has been added to the conventional “Roots” logo. The design’s background shape expresses the contour of the Roots unique can design and the “I” of “Impact.”

<logo>

Bulletin Board
NEWS

JT presents Pianissimo Super Slims Menthol One, a new style of cigarette

In early November, JT domestically launched Pianissimo Super Slims Menthol One, which adopts a super slim format that is unique among JT's current domestic lineup, as a new addition to the domestically best-selling ^{*1} 100mm slim menthol brand Pianissimo. While Super Slims Menthol One follows in the footsteps of preceding Pianissimo products for its smooth, unassertive and refreshing aroma and flavor, it features the flavored thread function ^{*2} in its filters to produce a stronger menthol sensation. D-spec ^{*3} technologies have also been incorporated to reduce unpleasant cigarette smells. The packaging reflects the "super slim" cigarette size and it is very compact and portable in spite of containing 20 cigarettes. Champagne Gold was used for the base color to make it a sophisticated but stylish package.

*1. Internal research

*2. Function using thread to which menthol and other flavorings have been added

*3. The collective name for products that, using JT technologies, have been engineered to lessen the unpleasant "cigarette smell" and instead give off pleasant aromas

<photo>

Pianissimo Super Slims Menthol One

Size: Super king/super slim size filter

Filter type: White filter with flavored thread function

Tar value: 1 mg per cigarette

Nicotine value: 0.1 mg per cigarette

Packaging: Round box containing 20 cigarettes

Price: ¥440

JT Launched Totally New Style of Smokeless Tobacco "Zerostyle Mint" in Kanagawa Prefecture in Mid-November

The "Zerostyle Mint" smokeless tobacco that JT released in mid May exclusively in Tokyo has generated a reception far warmer than anticipated. Although stocks are in short supply in stores, JT has been increasing production at existing manufacturing lines and preparing to open new manufacturing bases. As JT has now established projections of a stable supply system, following Tokyo, we started marketing "Zerostyle Mint" in Kanagawa Prefecture as Kanagawa is the second largest market with the second largest purchasers after Tokyo.

The package design has been improved to a more luxurious looking layout that emphasizes the words

“Smokeless Tobacco” to raise consumer recognition for the project.

<photo>

Zerostyle Mint

Contents: 1 product unit and 2 refill cartridges

Taste: Menthol

Packaging: Box with side opening

Price: ¥410

<photo>

Zerostyle Mint, Refill Cartridges

Contents: 4 refill cartridges

Taste: Menthol

Price: ¥600

Easy Recipe with
<TableMark Logo>

Easy microwave cooking! Just add mentaiko and condiments.

“Mentai Butter *Udon*”

Simply microwave the frozen *udon* noodles, and, following the recipe, add mentaiko (seasoned roe of pollack) and condiments.

This delicious recipe doesn't even require boiling water or a saucepan.

It is ideal for lunch or portioning into bite-sized appetizers.

<Photo>

Quick and easy cooking with TableMark's “Frozen *Udon* Noodles”!

Ingredients (serves 2-3 people)

2 servings (200g × 2 bundles) TableMark “Frozen Sanuki *Udon* Noodles”

1-2 tablespoons butter

Chives and/or shredded nori seaweed to taste.

[a]

1 sac (50g) mentaiko (seasoned roe of pollack)

1 teaspoon white wine

1 teaspoon lemon juice

1 teaspoon kelp tea (granule form)

Preparation

Separate the eggs from the sac.

Directions

1. Mix [a] in a bowl.
2. Heat “Frozen Sanuki *Udon* Noodles” for 3 min. 30 sec. at 600W in the Microwave.
3. While the *udon* noodles are still hot, mix in the butter and add 1.
4. Add chives and/or shredded nori seaweed to taste.

There are many other great recipes like this one on the TableMark website.

www.tablemark.co.jp/

<Picture>

JT Group Products (available only in Japan)

Released October 4

“Roots Aroma Impact” series

“Roots Aroma Impact Low Sugar Special”

185g can/¥115 (tax not included)

<photo>

Special low-sugar blend. Refreshingly satisfying low-sugar taste.

Roots Aroma Impact Masters

190g can/¥115 (tax not included)

<photo>

Mix of select ingredients and technology create a distinctly aromatic and satisfying drink.

Roots Aroma Impact Black

185g can/¥115 (tax not included)

<photo>

Comfortably mild-tasting and richly aromatic sugar-free black coffee.

Released

“Kabocha Houtou” (Pumpkin and flat *udon* soup)

1 serving (370g)

<photo>

Special taste of noodles, the main ingredients and mentsuyu (a type of soup base)!

- The broad flat *udon* noodles retain their firmness even when boiled. They have a springy texture and slip satisfyingly down the throat. The main ingredient is soft and flaky pumpkin, which when boiled melts into the soup base to create a soft and sweet soup.
- The special mentsuyu contains Shinshu-ichi miso made by Miyasaka Brewing Company, Ltd. It is flavored with bonito stock and has a gentle flavor.

Renewal

“Sanuki Men Ichiban Curry *Udon*”

1 serving (272g)

<photo>

Now with a stronger flavor of shredded bonito and kelp stock!

- The curry's special point is the savory taste from beef and vegetables and the aromatic spice. The special soup is made from the combination of “*Koku to kaori* liquid soup” and “*Toromi to dashi* powder soup”
- The *udon* noodles are about half the length of normal *udon* noodles. They have been specially developed for curry and are designed to minimize splatter of the soup.

You can shop online for JT Group beverage products anytime, right from your own home.

JT Online Shop (beverage) <http://www.shopjt.com/> (Japanese only)

Share Handling Procedures

(1) Where do I inquire about share handling procedures?

Generally, we ask that you inquire about all matters pertaining to handling the shares of the Company at the securities company where you have your account. For those shareholders using special accounts, please inquire at Mitsubishi UFJ Trust and Banking Corporation, the special-account managing institution.

Change of Address

Notices of convocation of general meeting of shareholders, dividend warrants or statements, complimentary gifts, etc. will be forwarded to the registered address. In the event of a change of address as a result of moving, etc., we ask that you please immediately notify the securities company where you have your account. For those shareholders using special accounts, we ask that you please immediately notify Mitsubishi UFJ Trust and Banking Corporation, the special-account managing institution.

(2) How to receive dividends

Methods to receive dividends

Dividends can be received in cash or by bank remittance. If selecting bank remittance, dividends can be received safely and securely. Shareholders wishing to receive dividends in cash will be forwarded a dividend warrant. Please retrieve it at your earliest convenience at any Japan Post Bank office or post office. Shareholders wishing to receive dividends by bank remittance will have dividends remitted to the bank, Japan Post Bank or other account designated in advance. In addition, a year-end (interim) dividend statement will be forwarded.

Bank remittances may be effectuated in the following three methods.

1. Method whereby dividends are received by designating a deposit account at a bank, etc. for each issue held

Deposit accounts held at banks, etc. to which dividends are to be remitted may be divided for each issue held.

2. Method whereby dividends for all issues held are received in a lump-sum at a deposit account held at a bank, etc.

Dividends for all issues held are received in a lump-sum in the registered remittance account (held at a bank, etc.). Remittance account designation is limited to one (1) financial institution.

3. Method whereby dividends are received in securities company trading accounts

Dividends may be received in a trading account held at a securities company (if a balance exists at several securities companies, allocation as per said balances). This method is not available for

shareholders using special accounts.

Changing the dividend payment method

Please contact the securities company where you have your account. Even if accounts are held at several securities companies, procedures may be effectuated at a single securities company. We ask shareholders using special accounts to please contact Mitsubishi UFJ Trust and Banking Corporation, the special-account managing institution.

(3) In the event dividend related documents were not received, the dividend warrant has been lost or the dividend payment period has lapsed

We ask that shareholders who have not received dividends due to the abovementioned or other reasons to please contact Mitsubishi UFJ Trust and Banking Corporation, the shareholder registry administrator.

Inquiries concerning special accounts

Mitsubishi UFJ Trust and Banking Corporation

Corporate Agency Division

0120-232-711 (toll-free number/available only in Japan)

(Business hours: 9 a.m. to 5 p.m. on weekdays excluding public holidays)

Mailing address

Mitsubishi UFJ Trust and Banking Corporation

Corporate Agency Division

10-11, Higashisuna 7-chome, Koto-ku, Tokyo 137-8081, Japan

Request for procedure forms related to special accounts

0120-244-479 (toll-free number/available only in Japan)

(24-hour automatic answering service operated by Mitsubishi UFJ Trust and Banking Corporation)

Members of the Board, Auditors, and Executive Officers

Members of the Board

Chairman of the Board	Yoji Wakui
Representative Director, President	Hiroshi Kimura
Representative Director, Executive Deputy President	Munetaka Takeda
Representative Director, Executive Deputy President	Masaaki Sumikawa
Representative Director, Executive Deputy President	Mitsuomi Koizumi
Representative Director, Executive Deputy President	Masakazu Shimizu
Member of the Board	Noriaki Okubo
Member of the Board	Mutsuo Iwai
Member of the Board	Yasushi Shingai

Auditors

Standing Auditor	Hisao Tateishi
Standing Auditor	Gisuke Shiozawa
Auditor	Takanobu Fujita
Auditor	Koichi Ueda

Executive Officers (*sikkoyakuin*)

President, Chief Executive Officer	Hiroshi Kimura
Executive Deputy President, Assistant to CEO in Compliance and Finance	Munetaka Takeda
Executive Deputy President, Assistant to CEO in Strategy, HR, Legal, Operational Review and Business Assurance, and Food Business	Masaaki Sumikawa
Executive Deputy President, President, Tobacco Business	Mitsuomi Koizumi
Executive Deputy President, Assistant to CEO in CSR, Communications and General Administration	Masakazu Shimizu
Senior Executive Vice President, Head of Manufacturing General Division, Tobacco Business	Kenji Iijima
Senior Executive Vice President, President, Pharmaceutical Business and Vice President of Business Planning Dept, Pharmaceutical Division	Noriaki Okubo
Senior Executive Vice President, Chief Legal Officer	Ryuichi Shimomura
Executive Vice President, Chief Marketing & Sales Officer, Tobacco Business	Yoshihisa Fujisaki
Executive Vice President, Chief R&D Officer, Tobacco Business	Tadashi Iwanami
Executive Vice President, Head of Tobacco Business Planning Division	Akira Saeki
Executive Vice President, Chief Strategy Officer, Assistant to CEO in Food Business	Mutsuo Iwai
Executive Vice President, Chief Financial Officer	Hideki Miyazaki

Senior Vice President, Head of Domestic Leaf Tobacco General Division, Tobacco Business	Shinichi Murakami
Senior Vice President, Head of China Division, Tobacco Business	Atsuhiro Kawamata
Senior Vice President, Chief Corporate, Scientific & Regulatory Affairs Officer, Tobacco Business	Kazuhito Yamashita
Senior Vice President, Head of Central Pharmaceutical Research Institute, Pharmaceutical Business	Junichi Haruta
Senior Vice President, Head of Soft Drink Business Division	Ryoko Nagata
Senior Vice President, Chief Human Resources Officer	Satoshi Matsumoto
Senior Vice President, Chief General Affairs Officer	Ryoji Chijiwa
Senior Vice President, Chief Communications Officer	Yasuyuki Tanaka

Trends in Share Price

Share prices of JT, from IPO on October 27, 1994 to October 2010 (closing prices on the TSE, monthly basis)

<Chart of JT's share price>

First sale

Sale by bidding

Contract price ¥1,362,000 to ¥2,110,000 (fixed date of the contract price August 29, 1994)

Sale without bidding

Sale price ¥1,438,000 (fixed date of the sale price August 31, 1994)

Second sale

Sale price ¥815,000 (fixed date of the sale price June 17, 1996)

Third sale

Sale price ¥843,000 (fixed date of the sale price June 7, 2004)

* The Company implemented stock split of 5-for-1 on April 1, 2006. The share prices before that date are retroactively adjusted although the share prices listed above as the sales price for first sale through third sale have not been revised to reflect such split.

Memo for Shareholders

Closing date: March 31 of each year

Annual General Meeting of Shareholders: June of each year

Record date for year-end dividend: March 31 of each year

Record date for interim dividend: September 30 of each year

Method of public notice:

Electronic public notice

Public notices will be posted on JT's website: <http://www.jti.co.jp/>

* If JT is unable to make electronic public notice due to an accident or any other compelling reason, it will make an alternative public notice in "The Nikkei" newspaper.

Shareholder registry administrator/special-account managing institution:

Mitsubishi UFJ Trust and Banking Corporation

(Office for handling business)

4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo, Japan

Mitsubishi UFJ Trust and Banking Corporation

Corporate Agency Division

(Inquiry/mailing address)

10-11, Higashisuna 7-chome, Koto-ku, Tokyo 137-8081, Japan

Mitsubishi UFJ Trust and Banking Corporation

Corporate Agency Division

0120-232-711 (toll-free number/available only in Japan)

(Business hours: 9 a.m. to 5 p.m. on weekdays excluding public holidays)

(Request for procedure forms related to special account)

The special-account managing institution accepts requests for administrative procedure for shareholders using special accounts (including notification of change of address, forms for designation or change of direct deposit of dividends, and forms for requesting procedures for inheritance of shares) at toll-free number (0120-244-479) 24 hours a day.

Concerning share handling procedures:

Shareholders are asked to contact the securities company where they have accounts.

Japan Tobacco Inc.

JT Building

2-1, Toranomom 2-chome, Minato-ku, Tokyo 105-8422, Japan

Tel.: +81-3-3582-3111

URL: <http://www.jti.co.jp/>

This Report was printed using soy inks along with FSC approved paper (chlorine-free bleach) to protect our forests.